

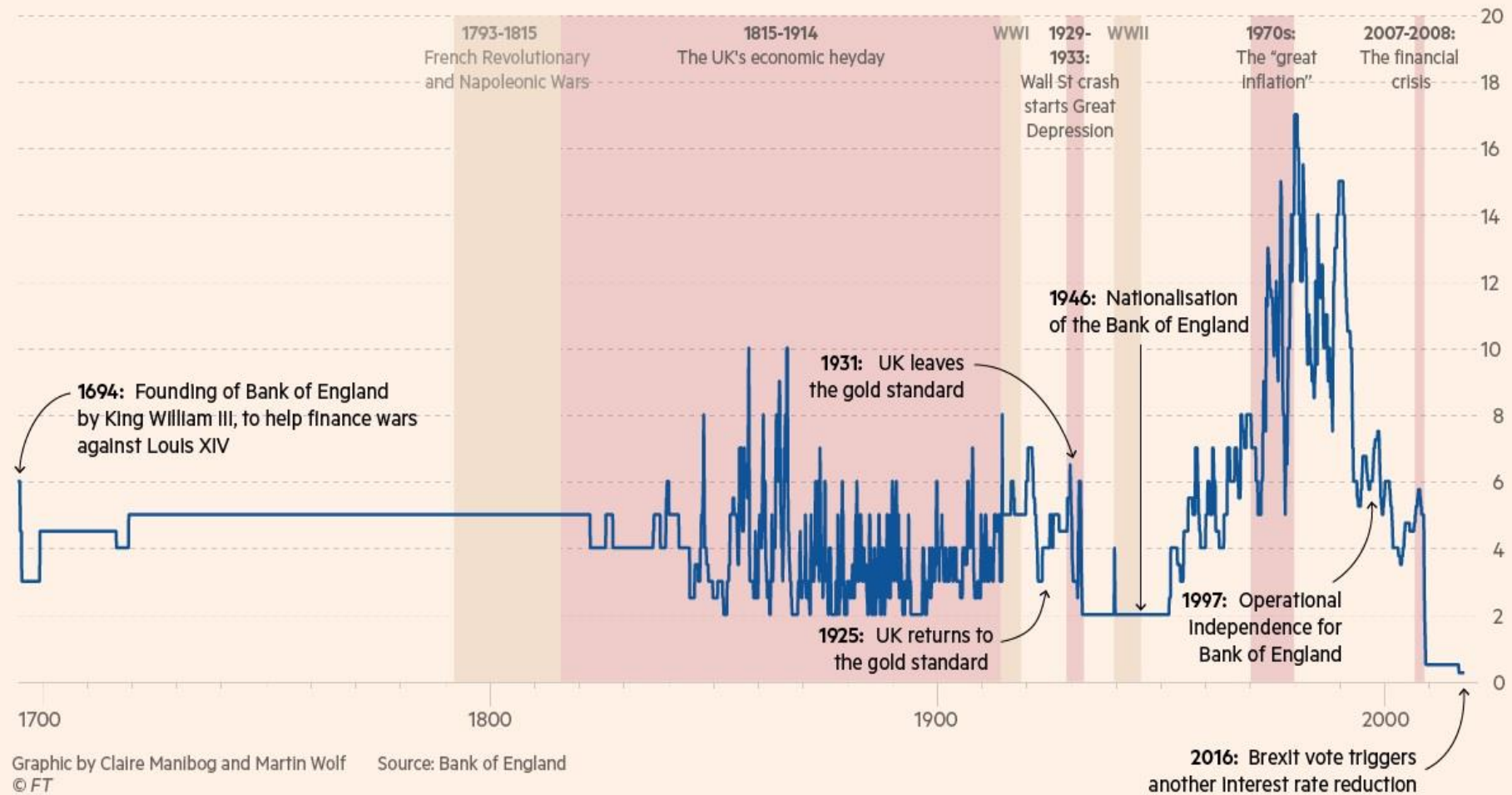
# Financial Services Policies (in the US and UK)

- 1/ Introduction and What is Money?
- 2/ Unconventional monetary policy, “Fed listens”, etc.
- 3/ The end of cash? And crypto... currencies... assets?
- 4/ Financial crises
- 5/ GFC – Covid-19
- 6/ G20/Basel III – Dodd-Frank
- 7/ The Vickers Review (and EU re-regulation)
- 8/ Brexit and UK-EU divergence
- 9/ What’s new in the USA?

# Martin Wolf: “Nothing like this has happened in 323 years”, *The Financial Times*, August 16, 2017

This time really is different

Bank of England official lending rate (%), 1694-2017



# What is Money?

“In recent years, many economists have been reluctant to use the word ‘money’. If one is very clever, it is indeed possible to talk about monetary policy without using the word ‘money’.”

“... It is a striking fact that as economics has become more and more sophisticated, it has had less and less to say about money”

Mervyn King, *The End of Alchemy: Money, Banking and the Future of the Global Economy*, London, Little Brown, 2016, p 78.

# Earthlings and Martians\*



**SMI**  
SAN MARINO

English role play suggested by Kate Rowe

# The 3 functions

# Narrow and Broad Money



- M0 – cash (& reserves at central bank)
- M1 = M0 plus cheque accounts (sight accounts)
- M2 = M1 plus savings accounts
- M3 = M2 plus larger deposits, institutional money market funds, other larger liquid assets

# Does Money Matter?

Mercantilists  
Wealth



Smith – wealth comes from goods and services – all commodities can be money

Keynesian/heterodox economists  
Money has real consequences – short to medium term

Monetarists (Lucas)  
Money is neutral

Aglietta & Orléan: primary social institution

*La Monnaie entre VIOLENCE  
et CONFIANCE (2002)*

Money mediates class struggle

But it is essential for exchange to occur



# The Barter Society?

## Yap currency stone



STONE MONEY OF UAP, WESTERN CAROLINE ISLANDS.

(From the paper by Dr. W. H. Furness, 3rd, in Transactions, Department of Archaeology, University of Pennsylvania, Vol. I., No. 1, p. 51, Fig. 3, 1904.)

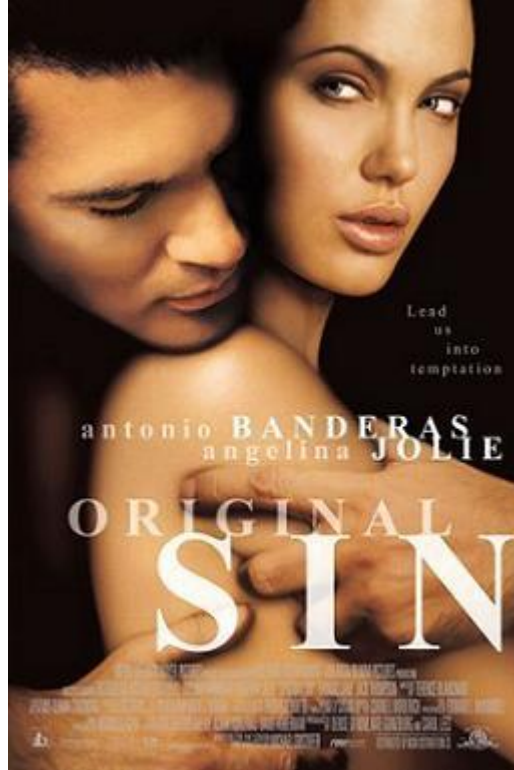
## Tally sticks



## Felix Martin - money needs:

- A notion of value
- A system of accounting
- A legal framework

# Are you an original sinner?



Not all money is good money! Gresham's law "legally overvalued currency will tend to drive out undervalued currency" OR good money drives out bad money"

\$ € £ ¥ SFR

What about?



# Margin Call: Bits of paper – Fat cats and starving dogs



<https://www.youtube.com/watch?v=LtFyP0qy9XU>

## Felix Martin

- Money vital to social stability
- Freedom
- Can allow social mobility



"the best way to destroy the capitalist system [is] to debauch the currency."



# Characteristics of “good money”

- Stability
  - Ease of use
  - Help growth
- 
- What are the objectives of the Federal Reserve?

# Trust: How is the value of money guaranteed?

- Legal tender – how is it established and guaranteed
- No counterfeiting 😞
- Bank regulation – regulation of deposit-taking institutions



# But... everyone wants easy money

- Debasing gold – since the Romans 😊



Financial speculation



# Money growth and credit are vital to economic growth

Housing and consumer credit are new – but have been essential to present-day society.